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INTERSTATE COMMERCE COMMISSION

LEASE OF RAILROAD EQUIPMENT

by and between

NEW ENGLAND MERCHANTS
FINANCIAL CORPORATION,

and

PENN CENTRAL COMPANY

DATED AS OF NOVEMBER 1, 1968

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LEASE OF RAILROAD EQUIPMENT, dated as of November 1, 1968, between NEW ENGLAND MERCHANTS FINANCIAL CORPORATION, a Massachusetts corporation (hereinafter called the Lessor), and PENN CENTRAL COMPANY, a Pennsylvania corporation (hereinafter called the Lessee).

WHEREAS, the Lessor and the Lessee have entered into a Conditional Sale Agreement (hereinafter called the Conditional Sale Agreement) with Lease Financing Corporation, as Seller (the term Seller or Vendor, as used herein, being deemed to have the respective meanings set forth in Article 27 of the Conditional Sale Agreement), wherein the Seller has agreed to sell and deliver to the Lessor the railroad equipment described in Schedule A hereto and in Annex A to the Conditional Sale Agreement; and

WHEREAS, the Lessee desires to lease all the items of said equipment or such lesser number as are delivered and accepted prior to December 31, 1958 (hereinafter called the Units), at the rentals and for the terms and upon the conditions hereinafter provided;

NOW, THEREFORE, in consideration of the premises and of the rentals to be paid and the covenants hereinafter mentioned to be paid and the covenants hereinafter mentioned to be kept and performed by the Lessee, the Lessor hereby leases the Units to the Lessee upon the following terms and conditions but, upon default of the Lessee hereunder, subject to all the rights and remedies of the Vendor under the Conditional Sale Agreement:

1. Delivery and Acceptance of Units. The Lessor will cause each Unit to be tendered to the Lessee at the point or points within the United States of America at which such Unit is delivered to the Lessor under the Conditional Sale Agreement. Upon such tender, the Lessee will cause an authorized representative of the Lessee to inspect the same and if such Unit is found to be in good order to accept delivery of such Unit and to execute and deliver to the Lessor and to the Seller a certificate of acceptance (hereinafter called the "Certificate of Acceptance"); whereupon such Unit shall be deemed to have been delivered to and accepted by the Lessee and shall be subject thereafter to all the terms and conditions of this Lease.

2. Rentals. The Lessee agrees to pay to the Lessor interim rent (hereinafter called "Interim Rent") for each Unit subject to the Lease for the period from and including the date of acceptance of such Unit by Lessee to and including December 31, 1968, in an amount equal to \$44.785 times the number of days from and including the date of acceptance of a unit to and including December 31, 1968. Interim Rent shall be due and payable by the Lessee at the Closing (as such term is defined in the Conditional Sale Agreement). The Lessee

agrees to pay to the Lessor as additional rental for each Unit subject to this Lease 30 consecutive semiannual payments, payable on July 1 and January 1 of each year commencing January 1, 1969. The first ten such semiannual payments shall be in an amount equal to 3.1831% of the Purchase Price (as such term is defined in the Conditional Sale Agreement) of each Unit subject to this Lease; and the last 20 of which shall each in an amount equal to 5.6961% of the Purchase Price of each such Unit. If any of the payment dates referred to above is not a business day, the payment shall be payable on the next succeeding business day.

The Lessor irrevocably agrees that all payments provided for in this Lease to be made to the Lessor shall be paid in immediately available funds in Philadelphia to the account of the Lessor, care of The New England Merchants National Bank of Boston, 28 State Street, Boston, Massachusetts 02106, attention of Assistant Vice President, and shall be applied by such Bank toward the satisfaction of the obligations of the Lessor under the Conditional Sale Agreement accrued at the time such payments are due hereunder, and any balance shall be paid to the Lessor.

This Lease is a net lease and the Lessee shall not be entitled to any abatement of rent, reduction thereof or setoff against rent, including, but not limited to, abatements, reductions or setoffs due or alleged to be due to, or by reason of, any past, present or future claims of the Lessee against the Lessor under this Lease or the Vendor or otherwise; nor except as otherwise expressly provided herein, shall this Lease terminate, or the respective obligations of the Lessor or the Lessee be otherwise affected, by reason of any defect in or damage to or loss of possession or loss of use of or destruction of all or any of the Units from whatsoever cause, the prohibition of or other restriction against Lessee's use of all or any of the Units, the interference with such use by any private person or entity, the invalidity or unenforceability or lack of due authorization of this Lease, or for any other cause whether similar or dissimilar to the foregoing, any present or future law to the contrary notwithstanding, it being the intention of the parties hereto that the rents and other amounts payable by the Lessee hereunder shall continue to be payable in all events in the manner and at the times herein provided unless the obligation to pay the same shall be terminated pursuant to the express provisions of this Lease.

3. Terms of Lease. The term of this Lease as to each Unit shall begin on the date of the delivery to and acceptance by the Lessee of such Unit and, subject to the provisions of §§ 6, 9 and 12 hereof, shall terminate six months following the date on which the final semiannual payment of rent in respect thereof is due hereunder.

Notwithstanding anything to the contrary contained herein all rights and obligations under this Lease and in and to the Units, upon default by the Lessee hereunder, are subject to the rights of the Vendor under the Conditional Sale Agreement. If an event of default should occur under the Conditional Sale Agreement

and the Lessee is in default hereunder or under the Conditional Sale Agreement, the Vendor may terminate this Lease (or rescind its termination), all as provided in the Conditional Sale Agreement. If a Declaration of Default (as defined in the Conditional Sale Agreement) should be made under the Conditional Sale Agreement due to an event of default not occasioned by an act or omission of the Lessee hereunder or not attributable to the Lessee under the Conditional Sale Agreement, and if such Declaration of Default shall not have been rescinded by the Vendor within 30 days of the making thereof, or if the Vendor therefore has indicated either in writing to the Lessor or the Lessee or by the commencement of the remedies specified under Article 18 of the Conditional Sale Agreement, that it will not rescind such Declaration of Default, the Lessee, without penalty under this Lease, may, but shall not be obligated to terminate this Lease.

4. Identification Marks. The Lessee will cause each Unit of railroad rolling stock to be kept numbered with the identifying number set forth in Annex A to the Conditional Sale Agreement and will keep and maintain, plainly, distinctly, permanently and conspicuously marked on each such Unit, in letters not less than one inch in height, the following words:

"New England Merchants National Bank of Boston,
Boston, Massachusetts, Agent-Owner"

or other appropriate words designated by the Lessor, with appropriate changes thereof and additions thereto as from time to time may be required by law in order to protect the title of the Lessor or the Vendor to such Unit and the rights of the Lessor under this Lease and of the Vendor under the Conditional Sale Agreement. The Lessee will not place any such Unit in operation or exercise any control or dominion over the same until such names and word or words shall have been so marked on both sides thereof and will replace promptly any such names and word or words which may be removed, defaced or destroyed. The Lessee will not change the identifying number of any Unit except in accordance with a statement of new identifying numbers to be substituted therefore which statement previously shall have been filed with the Vendor and the Lessor by the Lessee and filed, recorded or deposited in all public offices where this Lease will have been filed, recorded or deposited.

Except as above provided, the Lessee will not allow the name of any person, association or corporation to be placed on the Units as a designation that might be interpreted as a claim of ownership; provided, however, that the Lessee may cause the Units to be lettered with the names or initials or other insignia customarily used by the Lessee or its affiliates on railroad equipment used by them of the same or a similar type for convenience of identification of their rights to use the Units as permitted under this Lease.

5. Taxes. All payments to be made by the Lessee hereunder will be free of expense to the Lessor for collection or other charges and will be free of expense to the Lessor with respect to the amount of any local, state, federal, mexican or Canadian (Dominion or Provincial) taxes (other than any United States federal income tax or Mexican or Canadian Dominion or Provincial income tax (to the extent that the Lessor receives credit therefor against its United States federal income tax)

payable by the Lessor in consequence of the receipt of payments provided herein and other than the aggregate of all state or city income taxes or franchise taxes payable to any jurisdiction in the United States measured by net income based on such receipts, up to the amount of any such taxes which would be payable to the state and city in which the Lessor has its principal place of business without apportionment to any other state, except any such tax which is in substitution for or relieves the Lessee from the payment of taxes which it would otherwise be obligated to pay or reimburse as herein provided), assessments or licenses (and any charges, fines or penalties in connection therewith) hereafter levied or imposed upon or in connection with or measured by, this Lease or any sale, rental, use, payment, shipment, delivery or transfer of title under the terms hereof or the Conditional Sale Agreement, all of which expenses, taxes, assessments, licenses, charges, fines and penalties (hereinafter called "impositions") the Lessee assumes and agrees to pay on demand in addition to the payments to be made by it provided for herein. The Lessee will also pay promptly all impositions which may be imposed upon any Unit or for the use or operation thereof or upon the earnings arising therefrom or upon the Lessor solely by reason of its ownership thereof and will keep at all times all and every part of such Unit free and clear of all impositions which might in any way affect the title of the Lessor or result in a lien upon any such Unit; provided, however, that the Lessee shall be under no obligation to pay any impositions so long as it is contesting in good faith and by appropriate legal proceedings such impositions and the nonpayment thereof does not, in the opinion of the Lessor, adversely affect the property or rights of the Lessor hereunder or under the Conditional Sale Agreement. If any impositions shall have been charged or levied against the Lessor directly and paid by the Lessor, the Lessee shall reimburse the Lessor on presentation of invoice therefor.

In the event that the Lessor shall become obligated to make any payment to the Vendor pursuant to Article 10 of the Conditional Sale Agreement not covered by the foregoing paragraph of this §5, the Lessee shall pay such additional amounts (which shall also be deemed "impositions" hereunder) to the Lessor as will enable the Lessor to fulfill completely its obligations to the Vendor pursuant to said Article 10.

In the event any reports with respect to impositions are required to be made on the basis of individual Units, the Lessee will either make such reports in such manner as to show the interests of the Lessor and the Vendor in such Units or will notify the Lessor and the Vendor of such requirement and will make such reports in such manner as shall be satisfactory to the Lessor and the Vendor.

In the event that, during the continuance of this Lease, the Lessee becomes liable for the payment or reimbursement of any impositions, pursuant to this §5, such liability shall continue, notwithstanding the expiration of this Lease, until all such impositions are paid or reimbursed by the Lessee.

6. Payment for Casualty Occurrences and Economic Obsolescence.

In the event that any Unit shall be or become worn out, lost, stolen, destroyed or, in the opinion of Lessee, irreparably damaged, from any cause whatsoever or taken or requisitioned by condemnation or otherwise (such occurrences being hereinafter called Casualty Occurrences) during the term of this Lease the Lessee shall within twenty days after it shall have determined that such Unit has suffered a Casualty Occurrence fully inform the Lessor and the Vendor in writing in regard thereto, including in such information a statement of the causes of or reasons for such Casualty Occurrence. On the next succeeding rental payment date the Lessee shall pay to the Lessor in immediately available funds in Boston, Massachusetts, an amount equal to the accrued rental for such Unit to the date of such payment plus a sum equal to the Casualty Value, as hereinafter defined, of such Unit suffering a Casualty Occurrence as of the date of such payment in accordance with the schedule set out below. Upon the making of such payment by the Lessee in respect of any Unit, the rental for such Unit shall cease to accrue as of the date of such payment, the term of this Lease as to such Unit shall terminate and (except in the case of the loss, theft or complete destruction of such Unit) the Lessor shall be entitled to recover possession of such Unit. Following the giving of written notice of a Casualty Occurrence, the Lessee shall cooperate fully with the Lessor in seeking bids for the purchase of such Unit the Lessee shall be entitled to retain the proceeds of such sale up to an amount equal to the Casualty Value previously paid by the Lessee hereunder. Any excess of such proceeds over the Casualty Value previously paid by the Lessee shall be retained by the Lessor.

The Casualty Value of each Unit as of any rental payment date shall be an amount equal to that percentage of the Purchase Price of such Unit as is set forth in Column B of the following schedule opposite the number of such rental payment date.

CASUALTY VALUES

(Stated as a Percentage of Equipment Cost)

A. Rental Payment No.	B. Casualty Value
1	100.00%
2	100.00
3	100.00
4	100.00
5	100.00
6	100.00
7	100.00
8	100.00
9	100.00

A. Rental <u>Payment No.</u>	B. Casualty <u>Value</u>
10	100.00%
11	100.00
12	100.00
13	99.51
14	97.24
15	94.71
16	91.93
17	88.90
18	85.62
19	82.08
20	78.29
21	74.25
22	69.95
23	65.40
24	60.60
25	55.54
26	50.23
27	44.67
28	38.85
29	32.78
30	26.38

Thereafter the Casualty Value of each Unit as of any rental payment date shall be the then Fair Market Value of such Unit.

Except as hereinabove in this §6 provided, the Lessee shall not be released from its obligations hereunder in the event of, and will bear the risk of, a Casualty Occurrence to any Unit after delivery to and acceptance thereof by the Lessee hereunder.

7. Annual Reports. On or before March 1 in each year commencing with the year 1970, the Lessee will cause to be furnished to the Lessor and the Vendor an accurate statement, as of the preceding January 1, (a) showing the amount, description and numbers of the Units then leased hereunder, the amount description and numbers of all Units that may have suffered a Casualty Occurrence during the preceding twelve months (or since the date of this Lease, in the case of the first such statement), and such other information regarding the condition and state of repair of the Units as the Lessor or the Vendor may reasonably request and (b) stating that, in the case of all Units repainted during the period covered by such statement, the markings required by §4 hereof and Article 9 of the Conditional Sale Agreement shall have been preserved or replaced.

The Lessor shall have the right at its sole cost and expense, by its authorized representatives, to inspect the Units and the Lessee's records with respect thereto, at such times as shall be reasonably necessary to confirm to the Lessor the existence and proper maintenance thereof during the continuance of this Lease.

8. Disclaimer of Warranties; Compliance with Laws and Rules; Maintenance; and Indemnification. The Lessor makes no warranty or representation, either express or implied, as to the design or condition of, or as to the quality of the material, equipment or workmanship in the Units delivered to the Lessee hereunder, and the Lessor makes no warranty of merchantability or fitness of the Units for any particular purpose or as to title to the Units or any component thereof, it being agreed that all such risks, as between the Lessor and the Lessee, are to be borne by the Lessee; but the Lessor hereby irrevocably appoints and constitutes the Lessee its agent and attorney-in-fact during the term of this Lease to assert and enforce from time to time in the name of and for account of the Lessor and/or the Lessee, as their interests may appear, whatever claims and rights the Lessor may have as vendee under the provisions of Article 14 of the Conditional Sale Agreement. Lessee's acceptance of delivery of the Units shall be conclusive evidence as between the Lessee and the Lessor that all Units described in the Certificate of Delivery are in all the foregoing respects satisfactory to the Lessee and the Lessee will not assert any claim of any nature whatsoever against the Lessor based on any of the foregoing matters.

The Lessee agrees, for the benefit of the Lessor and the Vendor, to comply during the term of this Lease in all respects with all laws of the jurisdictions in which operations involving the Units may extend and with all lawful rules of the Department of Transportation and any other legislative, executive, administrative or judicial body exercising any power or jurisdiction over the Units to the extent that such laws or rules affect the operation or use of the Units. In the event that such laws or rules require the alteration of the Units or in case any equipment or appliance on any such Unit shall be required to be changed or replaced, or in case any additional or other equipment or appliance is required to be installed on such Unit in order to comply with such laws, regulations, requirements and rules, the Lessee agrees to make such alterations, changes, additions and replacements at its own expense; and the Lessee will use, maintain and operate such Unit in full compliance with such laws, regulations, requirements and rules so long as it is subject to this Lease; provided, however, that the Lessee may, in good faith, contest the validity or application of any such law or rule in any reasonable manner which does not in the opinion of the Lessor or the Vendor, adversely affect the property or rights of the Lessor or such Vendor hereunder or under the Conditional Sale Agreement.

The Lessee agrees that, at its own cost and expense, it will maintain and keep each Unit which is subject to this Lease in good order and repair.

Any and all additions to any Unit and any and all parts installed on or replacements made to any Unit, but only if such additions or parts (other than replacements) are necessary to the operation of the Equipment as Locomotives, shall be considered accessions to such Unit and, at the cost and expense of the Lessee, full ownership thereof free of any lien, charge, security interest or encumbrance (except for those created by the Conditional Sale Agreement) shall immediately be vested in the Lessor and the Vendor as their respective interests shall appear in the Unit itself.

The Lessee agrees to indemnify and save harmless the Lessor and the Vendor against any charge or claim made against the Lessor or the Vendor, and against any expense, loss or liability (including but not limited to counsel fees and expenses, patent liabilities, penalties and interest and any other liability which the Lessor may have under Articles 14 and 15 of the Conditional Sale Agreement) which the Lessor or the Vendor may incur in any manner by reason of entering into or the performance of the Conditional Sale Agreement or this Lease or by reason of the ownership of any Unit, or which may arise in any manner out of or as a result of the ordering, acquisition, use, operation, condition, purchase, delivery, rejection, storage or return of any Unit under this Lease. The Lessee further agrees to indemnify and save harmless the Lessor and the Vendor against any charge, claim, expense, loss or liability (including but not limited to counsel fees and expenses, penalties and interest) on account of any accident in connection with the operation, use, condition, possession or storage of any Unit resulting in damage to property or injury to any person. The indemnities arising under this paragraph shall survive payment of all other obligations under this Lease or the termination of this Lease.

The Lessee agrees to prepare and deliver to the Lessor within a reasonable time prior to the required date of filing (or, to the extent permissible, file on behalf of the Lessor) any and all reports to be filed by the Lessor with any federal, state or other regulatory authority by reason of the ownership by the Lessor or the Vendor of the Units or the leasing thereof to the Lessee.

9. Default. If, during the continuance of this Lease, one or more of the following events (hereinafter sometimes called "Events of Default") shall occur:

A. default shall be made in the payment of any part of the rental provided in §2 hereof and such default shall continue for five days;

- B. the Lessee shall make or permit any unauthorized assignment of transfer of this Lease or of possession of the Units, or any thereof;
- C. default shall be made in the observance or performance of any other of the covenants, conditions and agreements on the part of the Lessee contained herein or in the Conditional Sale Agreement and such default shall continue for 25 days after written notice from the Lessor or the Vendor to the Lessee specifying the default and demanding that the same be remedied;
- D. any proceedings shall be commenced by or against the Lessee for any relief under any bankruptcy or insolvency laws, or laws relating to the relief of debtors, readjustments of indebtedness, reorganizations, arrangements, compositions or extensions (other than a law which does not permit any readjustment of the obligations of the Lessee hereunder or under the Conditional Sale Agreement), and unless such proceedings shall have been discontinued, stayed or otherwise rendered ineffective (but then only so long as such stay shall continue in force or such ineffectiveness shall continue), all the obligations of the Lessee under this Lease and under the Conditional Sale Agreement shall not have been duly assumed in writing, pursuant to a court order or decree, by a trustee or trustees or receiver or receivers appointed for the Lessee or for the property of the Lessee in connection with any such proceedings or otherwise given a status comparable to obligations incurred by such a trustee or trustees or receiver or receivers, within 30 days after such appointment, if any, or 60 days after such proceeding shall have been commenced, whichever shall be earlier; or
- E. a petition for reorganization under Section 77 of the Bankruptcy Act, as now constituted or as said Section 77 may be hereafter amended, shall be filed by or against the Lessee and, unless such petition shall be dismissed, nullified, stayed or otherwise rendered ineffective (but then only so long as such stay shall continue in force or such ineffectiveness shall continue), all the obligations of the Lessee under the Conditional Sale Agreement and this Lease shall not have been duly assumed in writing, pursuant to a court order or decree, by a trustee or trustees appointed in such proceedings in such manner that such obligations shall have the same status as obligations incurred by such trustee or trustees, within 30 days after such appointment, if any, or

60 days after such petition shall have been filed, whichever shall be earlier;

then, in any such case, the Lessor, at its option, may:

(a) proceed by appropriate court action or actions either at law or in equity, to enforce performance by the Lessee of the applicable covenants of this Lease or to recover damages for the breach thereof (including expenses and the fees and expenses of counsel sustained by Lessor by reason of such a breach); or

(b) by notice in writing to the Lessee terminate this Lease, whereupon all rights of the Lessee to the use of the Units shall absolutely cease and determine as though this Lease had never been made, but the Lessee shall remain liable as hereinafter provided; and thereupon the Lessor may by its agents enter upon the premises of the Lessee or other premises where any of the Units may be and take possession of all or any of such Units and thenceforth hold, possess and enjoy the same free from any right of the Lessee, or its successors or assigns, to use the Units for any purposes whatever; but the Lessor shall, nevertheless, have a right to recover from the Lessee any and all amounts which under the terms of this Lease may then be due or which may have accrued to the date of such termination (computing the rental for any number of days less than a full rental period by multiplying the rental for such full rental period by a fraction of which the numerator is such number of days and the denominator is the total number of days in such full rental period) and also to recover forthwith from the Lessee (i) as damages for loss of the bargain and not as a penalty, a sum, with respect to each Unit, which represents the excess of (x) the present value, at the time of such termination, of the entire unpaid balance of all rentals for such Unit which would otherwise have accrued hereunder from the date of such termination to the end of the term of this Lease as to such Unit over (y) the then present value of the rentals which the Lessor reasonably estimates to be obtainable for the use of the Unit during such period, such present value to be computed in each case on a basis of a 6 % per annum discount compounded semiannually from the respective dates upon which rentals would have been payable hereunder had this Lease not been terminated, (ii) any damage, other than for the payment of rental, and expenses, including reasonable attorneys' fees, in addition thereto which the Lessor shall have sustained by reason of the breach of any covenant or covenants of this Lease and including, without limitation, (iii) an amount which, after deduction of all taxes required to be paid by the Lessor in

respect of the receipt thereof under the laws of the United States or any political subdivision thereof, shall be equal to any portion of the investment credit allowed by Section 38 of the Internal Revenue Code of 1954, as amended, lost by the Lessor as a result of the sale or other disposition of the Lessor's interest in any Unit after the occurrence of an Event of Default.

The remedies in this Lease provided in favor of the Lessor shall not be deemed exclusive, but shall be cumulative, and shall be in addition to all other remedies in their favor existing at law or in equity. The Lessee hereby waives any mandatory requirements of law, now or hereafter in effect, which might limit or modify the remedies herein provided, to the extent that such waiver is permitted by law. The Lessee hereby waives any and all existing or future claims to any offset against the rental payments due hereunder, and agrees to make rental payments regardless of any offset or claim which may be asserted by the Lessee or on its behalf.

The failure of the Lessor to exercise the rights granted it hereunder upon the occurrence of any of the contingencies set forth herein shall not constitute a waiver of any such right upon the continuation or recurrence of any such contingencies or similar contingencies.

10. Return of Units Upon Default. If this Lease shall terminate pursuant to §9 hereof, the Lessee shall forthwith deliver possession of the Units to the Lessor. For the purpose of delivering possession of any Unit or Units to the Lessor as above required, the Lessee shall at its own cost, expense and risk:

- A. forthwith place such Units upon such storage tracks of the Lessee as the Lessor reasonably may designate,
- B. permit the Lessor to store such Units on such tracks at the risk of the Lessee until such Units have been sold, leased or otherwise disposed of by the Lessor, and
- C. transport the same to any place on the lines of railroad operated by it or any of its affiliates or to any connecting carrier for shipment, all as directed by the Lessor.

The assembling, delivery, storage and transporting of the Units as hereinbefore provided shall be at the expense and risk of the Lessee and are of the essence of this Lease, and upon application to any court of equity having jurisdiction in the premises the Lessor shall be entitled to a decree against the Lessee requiring specific performance of the covenants of the Lessee so to assemble, deliver, store and transport the Units. During any storage period, the Lessee will permit the Lessor or any person designated by it, including the authorized representative

or representatives of any prospective purchaser of any such Unit to inspect the same; provided, however, that the Lessee shall not be liable, except in the case of negligence of the Lessee or of its employees or agents, for any injury to, or the death of, any person exercising, either on behalf of the Lessor or any prospective purchaser, the rights of inspection granted under this sentence.

Without in any way limiting the obligation of the Lessee under the foregoing provisions of this §10, the Lessee hereby irrevocably appoints the Lessor as the agent and attorney of the Lessee, with full power and authority, at any time while the Lessee is obligated to deliver possession of any Unit to the Lessor, to demand and take possession of such Unit in the name and on behalf of the Lessee from whosoever at the time shall be in possession of such Unit.

11. Assignment; Possession and Use. This Lease shall be assignable in whole or in part by the Lessor without the consent of the Lessee, but the Lessee shall be under no obligation to any assignee of the Lessor except upon written notice of such assignment from the Lessor. Unless the Lessee otherwise consents, all rentals and other payments made hereunder shall be paid by the Lessee to the account of the Lessor, care of The New England Merchants National Bank of Boston (or to any assignee of said Bank made pursuant to Section 6 of an Agreement and Assignment between the Seller and said Bank dated as of November 1, 1968, under which the Conditional Sale Agreement is being assigned to said Bank) attention of Assistant Vice President, and shall be applied by such Bank to satisfy the obligations of the Lessor as Vendee under the Conditional Sale Agreement accrued at the time such payments are due hereunder, and any balance shall be paid to the Lessor.

So long as the Lessee shall not be in default under this Lease, or as Guarantor under the Conditional Sale Agreement, the Lessee shall be entitled to the possession and use of the Units in accordance with the terms of this Lease, but, without the prior written consent of the Lessor, the Lessee shall not assign or transfer its leasehold interest under this Lease in the Units or any of them. In addition, the Lessee, at its own expense, will promptly pay or satisfy and cause to be duly discharged any and all sums claimed by any party by through or under the Lessee or its successors or assigns which, if unpaid, might become a lien, charge, security interest or other encumbrance upon any Unit including any accession thereto equal to or superior to the interests of the Vendor and the Lessor therein (other than an encumbrance resulting from claims against the Lessor or the Vendor not related to the ownership of the Units); but the Lessee shall not be required to pay, satisfy or cause to be discharged any such claim so long as the validity thereof shall be contested in good faith and by appropriate legal proceedings in any reasonable manner and the nonpayment thereof does not, in the opinion of the Vendor or the Lessor, adversely affect the property or right of the Vendor or the Lessor in such Units. The Lessee shall not, without the prior written consent of the Lessor, part with the possession or control of, or suffer or allow to pass out of its possession or control, any of the Units, except to the extent permitted by the provisions of

the next succeeding paragraph hereof.

So long as the Lessee shall not be in default under this Lease or as Guarantor under the Conditional Sale Agreement, the Lessee shall be entitled to the possession of the Units and to the use thereof upon its lines of railroad or upon lines of railroad over which the Lessee has trackage or other operating rights or over which railroad equipment of the Lessee is regularly operated pursuant to contract, and also to permit the use of the Units upon other railroads in the usual interchange of traffic (if such interchange is customary at the time), but only upon and subject to all the terms and conditions of this Lease and the Conditional Sale Agreement.

Nothing in this §11 shall be deemed to restrict the right of the Lessee to assign or transfer its leasehold interest under this Lease in the Units or possession of the Units to any corporation (which shall have duly assumed the obligations of the Lessee hereunder and under the Conditional Sale Agreement) into or with which the Lessee shall have become merged or consolidated or which shall have acquired the property of the Lessee as an entirety or substantially as an entirety.

The Lessee agrees that during the term of this Lease the Lessee will not assign any Unit to service involving the regular operation and maintenance thereof outside the United States of America and that during such term any use of any Unit outside the United States of America will be limited to incidental and temporary use in Mexico and Canada.

12. Purchase Option. Provided that this Lease has not been earlier terminated and the Lessee is not in default hereunder, the Lessee shall have the option to purchase all but not fewer than all the Units then covered by this Lease at the end of the original term thereof for a purchase price equal to the "Fair Market Value" as of the end of such term. Such option is to be exercised by written notification from the Lessee to the Lessor received at least six months prior to the expiration of the original term of this Lease.

Fair Market Value shall be determined on the basis of, and shall be equal in amount to, the value which would obtain in an arm's length transaction between an informed and willing buyer-user (other than (i) a lessee currently in possession and (ii) a used equipment dealer) and an informed and willing seller under no compulsion to sell and, in such determination, costs of removal from the location of current use shall not be a deduction from such value.

If on or before four months prior to the expiration of the original term hereof, the Lessor and the Lessee are unable to agree upon a determination of the Fair Market Value of the Units, such value shall be determined in accordance with the foregoing definition, by a qualified independent Appraiser.

The term Appraiser shall mean such independent appraiser as the Lessor and the Lessee may mutually agree upon or, failing such agreement, a panel of three independent appraisers, one of whom shall be selected by the Lessor, the second by the Lessee and the third designated by the first two so selected. The Appraiser shall be instructed to make such determination within a period of 30 days following appointment and shall promptly communicate such determination in writing to the Lessor and the Lessee. The determination so made shall be conclusively binding upon both Lessor and Lessee. The expenses and fee of the Appraiser shall be borne by the Lessee.

13. Return of Units upon Expiration of Terms. As soon as practicable on or after the expiration of the term of this Lease, the Lessee will (unless the Units are sole to the Lessee), at its own cost and expense, at the request of the Lessor, deliver possession of any Units to the Lessor upon such storage tracks of the Lessee as the Lessee may designate and permit the Lessor to store such Unit on such tracks for a period not exceeding three months and transport the same, at any time within such three-month period, to any reasonable place on the lines of railroad operated by the Lessee or to any connecting carrier for shipment, all as directed by the Lessor; the movement and storage of the Units to be at the expense and risk of the Lessee. During any such storage period the Lessee will permit the Lessor or any person designated by it, including the authorized representative or representatives of any prospective purchaser of any such Unit, to inspect the same; provided, however, that the Lessee shall not be liable except in the case of negligence of the Lessee or of its employees or agent, for any injury to, or the death of, any person exercising, either on behalf of the Lessor or any prospective purchaser, the rights of inspection granted under this sentence. The assembling, delivery, storage and transporting of the Units as hereinbefore provided are of the essence of this Lease, and upon application to any court of equity having jurisdiction in the premises, the Lessor shall be entitled to a decree against the Lessee requiring specific performance of the covenants of the Lessee so to assemble, deliver, store and transport the Units. If Lessor shall elect to abandon any Unit which has suffered a Casualty Occurrence or which, after the expiration of this Lease, the Lessor shall have deemed to have suffered a Casualty Occurrence, it may deliver written notice to such effect to the Lessee and the Lessee shall thereupon assume, and hold the Lessor harmless from all liability arising in respect of any responsibility of ownership thereof, from and after receipt of such notice.

14. Opinion of Counsel. Concurrently with the execution and delivery of this Lease, the Lessee will deliver to the Lessor two counterparts of the written opinion of counsel for the Lessee, addressed to the Lessor, in scope and substance satisfactory to the Lessor and its counsel, to the effect that:

- A. the Lessee is a corporation legally incorporated and validly existing, in good standing, under the laws of the Commonwealth of Pennsylvania, with adequate corporate power to enter into this Lease;
- B. this Lease has been duly authorized, executed and delivered by the Lessee and constitutes a valid, legal and binding agreement, enforceable in accordance with its terms;
- C. this Lease has been fully filed and recorded with the Interstate Commerce Commission pursuant to Section 20c of the Interstate Commerce Act, and no other filing or recordation is necessary for the protection of the rights of the Lessee;
- D. no approval is required from any public regulatory body with respect to the Lessee's entering into or performance of this Lease;
- E. the entering into and performance of this Lease by the Lessee will not result in any breach of, or constitute a default under any indenture, mortgage, deed of trust, bank loan or credit agreement or other agreement or instrument to which the Lessee is a party or by which it may be bound;
- F. no mortgage, deed of trust, or other lien of any nature whatsoever which now covers or affects, or which may hereafter cover or affect any property or interest therein of the Lessee, now attaches or hereinafter will attach to the Units or in any manner affects or will affect adversely the Lessor's right, title and interest therein; provided, however, that such liens may attach to the rights of the Lessee hereunder in and to the Units.

15. Recording; Expenses. Prior to the delivery and acceptance of the Units, the Lessee will cause this Lease, the Conditional Sale Agreement and any assignment hereof or thereof to be filed and recorded with the Interstate Commerce Commission in accordance with Section 20c of the Interstate Commerce Act. The Lessee will, from time to time, do and perform any other act and will execute, acknowledge, deliver, file, register, record and deposit (and will refile, reregister, rerecord or redeposit whenever required) any and all further instruments required by law or reasonably requested by the Lessor for the purpose of proper protection, to the satisfaction of the

Lessor, of the Vendor's and the Lessor's respective interests in the Units, or for the purpose of carrying out the intention of this Lease or the Conditional Sale Agreement.

The Lessee will pay the reasonable costs and expenses involved in the preparation and printing of this Lease. In addition, the Lessee will pay to the Lessor an amount equal to all payments which the Lessor is required to make under Article 22 of the Conditional Sale Agreement. The Lessor and Lessee each will bear the respective fees and disbursements of any counsel which it may retain.

16. Interest on Overdue Rentals. Anything to the contrary herein contained notwithstanding, any nonpayment of rentals and other obligations due hereunder shall result in the obligation on the part of the Lessee promptly to pay also an amount equal to 8% per annum of the overdue rentals or other obligations for the period of time during which they are overdue.

17. Notices. Any notice required or permitted to be given by either party hereto to the other shall be deemed to have been given when deposited in the United States certified mails, first-class postage prepaid, addressed as follows:

if to the Lessor, at 28 State Street, Boston, Massachusetts 02106;

if to the Lessee, at Six Penn Center Plaza, Philadelphia, Pennsylvania 19104;

or addressed to either party at such other address as such party shall hereafter furnish to the other party in writing.

18. Severability; Effect and Modification of Lease. Any provisions of this Lease which is prohibited or unenforceable in any jurisdiction, shall be, as to such jurisdiction, ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof, and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

This Lease exclusively and completely states the rights of the Lessor, and the Lessee with respect to the Units and supersedes all other agreements, oral or written, with respect to the Units. No variation or modification of this Lease and no waiver of any of its provisions or conditions shall be valid unless in writing and signed by duly authorized officers of the Lessor and the Lessee.

19. Execution in Counterparts. This Lease may be executed in several counterparts, each of which so executed shall be deemed to be an original, and in each case such counterparts together shall constitute but one and the same instrument.

20. Law Governing. This Lease shall be construed in accordance with the laws of Pennsylvania; provided, however, that the parties shall be entitled to all rights conferred by Section 20c of the Interstate Commerce Act and by the laws of any other jurisdiction in which this Lease is recorded.

IN WITNESS WHEREOF, the Lessor and the Lessee each have caused these presents to be signed in their respective corporate names or by duly authorized officers and their respective corporate seals hereunto to be affixed and duly attested.

NEW ENGLAND MERCHANTS FINANCIAL
CORPORATION,

by John E. Selman
Vice President. ~~Truman~~

CORPORATE SEAL

Attest:

J. D. Morse
.....
Secretary.

PENN CENTRAL COMPANY,

by W. F. Fodor
.....
Assistant Vice President

CORPORATE SEAL

Attest:

Raymond H. R. G. G.
.....
~~Raymond H. R. G. G.~~ Secretary

COMMONWEALTH OF MASSACHUSETTS)

COUNTY OF Suffolk) SS.:
)

On the 10th day of December, 1968, before me personally appeared Robert T. Schoen ~~VICE PRESIDENT~~ TREASURER, to me personally known, who being by me duly sworn, say that he is ~~VICE PRESIDENT~~ of NEW ENGLAND MERCHANTS FINANCIAL CORPORATION, that one of the seals affixed to the foregoing instrument is the corporate seal of said corporation and that said instrument was signed and sealed on behalf of said corporation by authority of its Board of Directors and he acknowledged that the execution of the foregoing instrument was the free act and deed of said corporation.

Robert B. Goss

Notary Public

My Commission Expires Nov. 29, 1969

COMMONWEALTH OF PENNSYLVANIA)

COUNTY OF PHILADELPHIA,) SS.:
)

On this 5th day of December, 1968, before me personally appeared R. W. LODER, to me personally known, who being by me duly sworn, says that he is an Assistant Vice President of PENN CENTRAL COMPANY, that one of the seals affixed to the foregoing instrument is the corporate seal of said corporation and that said instrument was signed and sealed on behalf of said corporation by authority of its Board of Directors and he acknowledged that the execution of the foregoing instrument was the free act and deed of said corporation.

William J. O'Neill

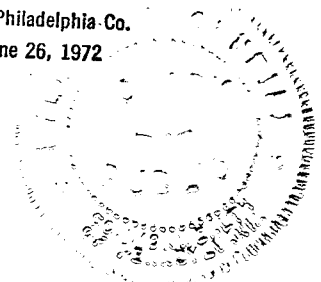
Notary Public

WILLIAM J. O'NEILL

Notary Public, Philadelphia, Philadelphia Co.

My Commission Expires June 26, 1972

My Commission Expires



SCHEDULE A

<u>Type</u>	<u>Quantity</u>	<u>Road Numbers (inclusive)</u>	<u>Unit Base Price</u>	<u>Total Base Price</u>	<u>Delivery</u>
4 Motor, 4 Axle 3300 H. P. Model No. U33B General Electric Locomotives	20	2936 to 2955 inclusive	\$253,256.70	\$5,065,134	November - December 1968 Schenectady, New York